MARIN THEATRE COMPANY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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Perotti *And* **Carrade**
Certified Public Accountants
A Professional Corporation
1100 Larkspur Landing Circle
Suite 358
Larkspur, CA 94939
Telephone 415 461-8500
FAX 415 461-6342

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Marin Theatre Company
Mill Valley, California:

We have audited the accompanying financial statements of Marin Theatre Company (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Theatre Company as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Marin Theatre Company's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 23, 2015

Perotti & Carrade

MARIN THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(Summarized totals for 2014)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Current Assets:					
Cash	$ 126,196			$ 126,196	$ 278,987
Receivables:					
Grants and contributions, net	37,960	$ 143,340		181,300	140,206
Executive housing contribution		214,241		214,241	158,266
Bequest and other	17,004			17,004	191,420
Prepaid expenses, principally related to future performances	78,291			78,291	115,631
Total current assets	259,451	357,581		617,032	884,510
Property and Equipment - net of accumulated depreciation	3,125,862			3,125,862	3,223,015
Endowment Investments - at fair value			$ 265,893	265,893	264,370
Grants Receivable - due after one year		237,170		237,170	39,024
Executive Housing Contribution Receivable - due after one year		704,022		704,022	918,263
Board Designated Reserves	207,507			207,507	602,068
Deposits	59,157			59,157	35,961
Total Assets	$ 3,651,977	$ 1,298,773	$ 265,893	$ 5,216,643	$ 5,967,211

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Current Liabilities:					
Accounts payable and accrued expenses	$ 221,139			$ 221,139	$ 206,637
Deferred revenues	459,992			459,992	515,242
Current portion of mortgage notes	38,901			38,901	25,675
Total current liabilities	720,032			720,032	747,554
Interfund payable (receivables)	203,234	$ (143,426)	$ (59,808)		
Long-term Debt					
Mortgage notes	878,795			878,795	1,098,373
Interfund notes payable (receivable)	279,416		(279,416)		
Total liabilities	2,081,477	(143,426)	(339,224)	1,598,827	1,845,927
Net Assets:					
Board -designated	207,507			207,507	602,068
Undesignated	1,362,993	1,442,199	605,117	3,410,309	3,519,216
Total net assets	1,570,500	1,442,199	605,117	3,617,816	4,121,284
Total Liabilities and Net Assets	$ 3,651,977	$ 1,298,773	$ 265,893	$ 5,216,643	$ 5,967,211

See accompanying notes to financial statements.

MARIN THEATRE COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

(Summarized totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenues from Operations:					
Subscription sales	$ 421,762			$ 421,762	$ 421,743
Single ticket sales	471,946			471,946	472,905
Tuition income	216,107			216,107	134,722
Ticket and order fees	119,742			119,742	107,378
Program ad sales	21,310			21,310	29,866
Rental income	46,956			46,956	41,935
Concessions income - net	24,288			24,288	26,187
Interest and dividend income	6,205			6,205	5,384
Other income	55,780			55,780	17,471
Loss on disposition of ticketing software					(47,910)
Realized and unrealized gains/(losses) relating to securities	(8,740)			(8,740)	53,291
Total revenues from operations	1,375,356			1,375,356	1,262,972
Development Revenue:					
Contributions from:					
Board members	416,750	$ 51,290		468,040	495,199
Other individuals and an estate	336,730	251,783		588,513	420,292
Foundations	68,003	234,508		302,511	140,038
Corporate	7,640	8,650		16,290	24,069
Government		18,520		18,520	7,300
Donated services and materials	53,988			53,988	56,584
Special events - net of cost: 2015, $80,745; 2014, $70,147	45,467			45,467	102,909
Subtotal	928,578	564,751		1,493,329	1,246,391
Net assets released from restrictions	511,415	(511,415)			
Total development revenues	1,439,993	53,336		1,493,329	1,246,391
Total revenues	2,815,349	53,336		2,868,685	2,509,363
Expenses:					
Program Services:					
Theatrical productions	2,161,709			2,161,709	1,985,448
Theatre education	414,809			414,809	312,276
Total program services	2,576,518			2,576,518	2,297,724
Support Services:					
General and administrative	476,479			476,479	508,499
Development	319,156			319,156	257,502
Total support services	795,635			795,635	766,001
Total expenses	3,372,153			3,372,153	3,063,725
Change in Net Assets	(556,804)	53,336		(503,468)	(554,362)
Net Assets at Beginning of Year	2,127,304	1,388,863	$ 605,117	4,121,284	4,675,646
Net Assets at End of Year	$ 1,570,500	$ 1,442,199	$ 605,117	$ 3,617,816	$ 4,121,284

See accompanying notes to financial statements.

MARIN THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(Summarized totals for the year ended June 30, 2014)

	Programming					2015	2014
	Theatre	Education	Total	Support	Development	Total	Total
Artistic salaries and fees	$ 604,068	$ 202,599	$ 806,667			$ 806,667	$ 674,049
Administrative salaries and fees	155,548	28,985	184,533	$ 312,246	$ 233,225	730,004	714,891
Production salaries and fees	419,837	68,644	488,481			488,481	518,116
Production costs	244,202	41,884	286,086			286,086	208,036
Marketing	216,817	12,934	229,751		23,347	253,098	258,952
Marketing salaries and fees	154,509	14,488	168,997			168,997	162,190
Depreciation	101,947	8,738	110,685	18,933	16,020	145,638	145,188
Facility maintenance and utilities	101,105	12,018	113,123	19,203	11,155	143,481	112,943
Computer software and technology	51,893	5,565	57,458	8,377	13,237	79,072	30,306
Other	22,909	3,827	26,736	22,418	10,166	59,320	50,958
Supplies	35,392	8,534	43,926	8,782	3,877	56,585	50,767
Bank charges and property tax	30,403	2,606	33,009	10,317	4,778	48,104	39,803
Interest				42,347		42,347	49,308
Insurance	21,922	1,887	23,809	7,348	3,351	34,508	25,552
Professional fees	1,157	2,100	3,257	28,711		31,968	34,651
Bad debt				(2,203)		(2,203)	(11,985)
Total	$ 2,161,709	$ 414,809	$ 2,576,518	$ 476,479	$ 319,156	$ 3,372,153	$ 3,063,725

See accompanying notes to financial statements.

MARIN THEATRE COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

		2015		2014
Operations:				
Change in net assets	$	(503,468)	$	(554,362)
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Depreciation		145,638		145,188
Endowment fund's realized and unrealized gain on securities		577		(27,121)
Donated goods and services		(53,988)		(56,584)
Donated goods and services used in operations		24,300		56,584
Dividends and interest earned, net of fees, in Endowment Fund		(2,100)		(3,945)
Loss on disposition of ticketing software				47,910
Changes in assets and liabilities:				
(Increase) decrease in receivables, prepaid expenses and other current assets		114,687		399,174
Increase (decrease) in grants and contributions due after one year		16,095		274,119
Increase in accounts payable and accrued expenses		14,502		52,327
Increase (decrease) in deferred revenue		(55,250)		56,664
Cash provided by (used for) operations		(299,007)		389,954
Investing Activities:				
Additions to property and equipment		(18,797)		(8,335)
Board designated reserve activity - net		394,561		(47,509)
Reduction in actors' equity reserve deposit		(23,196)		1,678
Cash provided by (used for) investing activities		352,568		(54,166)
Financing Activities:				
Repayment of mortgage notes		(206,352)		(159,319)
Cash used for financing activities		(206,352)		(159,319)
Increase (Decrease) in Cash		(152,791)		176,469
Cash - Beginning of Year		278,987		102,518
Cash - End of Year	$	126,196	$	278,987

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY

The Marin Theatre Company (The Company) is a nonprofit corporation which was organized in 1968 as the Mill Valley Center for the Performing Arts. In 1984 the organization was reincorporated as a professional theater company, the name was changed to the Marin Theatre Company and a contract agreement was entered into with Actors' Equity Association (AEA). Also in 1984 the building at 397 Miller Avenue in Mill Valley was acquired and construction of the Sali Lieberman Studio Theatre commenced. By the end of 1987 the construction of both the main stage and the studio theater was completed.

Marin Theatre Company is a professional, regional theatre that produces a six-show season of provocative plays by passionate playwrights from the 20th century and today. It is committed to the development and production of new plays by American playwrights, with a comprehensive New Play Program that includes two nationally recognized annual playwriting awards, numerous new play readings and workshops by the nation's best emerging playwrights, and a leadership position in the National New Play Network. It also has numerous educational programs that serve more than 6,000 students each year.

The Company's operating principles mandate that the performances remain accessible to the community at large. Therefore, ticket sales cover less than 27% of the Company's expenses. The Company relies on support from foundations, businesses and individuals for the balance required to sustain its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared using the accrual method of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers.

Revenue and expense recognition - Season subscriptions, single ticket payments received in advance of performances and school revenue received in advance of the school sessions are deferred and recognized as revenue in the year the applicable performance is given or the school session concludes. Expenditures relating to the subscription campaign and future productions are recorded as prepaid expenses, and charged to expense in the applicable fiscal year. Advertising costs are expensed as incurred unless they are specifically related to productions in the next fiscal year, in which case they are recorded as prepaid expenses and charged to expense in the applicable fiscal year.

Support recognition - Unconditional promises to give are recorded as support and as receivable when the promises are made. Gifts, grants and unconditional promises to give cash or other assets, the uses of which are limited by the donor are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are to be recorded at the present value

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support recognition, continued - of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

Donated materials and services - Contributions of securities, materials and facilities are reflected in the accompanying financial statements at their fair value at the date of receipt. Contributions for services are recognized only if such services create or enhance a nonfinancial asset or require specialized skills and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

Endowment investments - Investments include marketable debt and equity securities which are carried at fair value. Interest, dividends, realized and unrealized gains and losses are reflected as unrestricted income in the statement of activity.

Allowance for doubtful accounts - An allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based on the aging of accounts receivable balances. No allowance was deemed necessary at June 30, 2015 and 2014.

Property and equipment - Property and equipment acquisitions costing more than $1,000 and with useful life of five years or greater are capitalized, stated at cost or fair value if donated, and depreciated using the straight line method over the estimated economic lives of the assets (theatre and executive residences 40 years, building betterments and equipment 5 to 20 years).

Tax-Exempt Status – The Theatre is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statue. In addition the Theatre has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Theatre generates unrelated business income from advertising and rent; however allocable expenses exceed income and therefore no income taxes are payable. The Organization's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

Fair Value Measurements - The Company adopted a framework for measuring fair value. Fair value is defined as the price that would be received to sell the asset or would be paid to transfer the liability in an orderly transaction between market participants. The Company's financial asset shown at fair value include the endowment securities which are valued using a market approach based on quoted market prices (level 1 - quoted prices in active markets for identical investments) The application of fair value to non-financial assets has been determined to be de minimus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent events - Subsequent events have been evaluated through November 23, 2015, the date in which the financial statements were available to be issued.

3. GRANTS AND CONTRIBUTION RECEIVABLE

During the year ended June 30, 2015, the Company was awarded two multi-year grants which have annual payments expected through June 30, 2020. For financial statement purposes, the grants receivable have been discounted at what was considered risk-free rate of return (2.5%) to reflect its present value at the date of origin.

At June 30, 2015, the grant and contributions receivable expected to be collected in successive years are as follows:

	Contribution Amount	Discount	Net
2016	$ 153,852	$ (10,512)	$ 143,340
2017	105,000	(7,149)	97,851
2018	50,000	(4,702)	45,298
2018	50,000	(3,570)	46,430
2019	50,000	(2,409)	47,591
Total	$ 408,852	$ (28,342)	$ 380,510

The Company has received a $180,000 pledge which, once matched, will be payable over a period of five years.

4. EXECUTIVE HOUSING CONTRIBUTION RECEIVABLE

In September 2012 and February 2013 the Company acquired to two residential properties which are intended to provide housing for top-level executive and artistic staff. The Company executed two mortgages to finance the acquisitions. See note 10 for additional information on the debt. A donor has pledged $250,000 in total annual contributions for the year ending June 30, 2016 and 2017 and $150,000 thereafter until the mortgages are paid in full. For financial statement purposes, this contribution has been discounted to reflect its present value using a rate of 3.775%, consistent with the approximate interest rate incurred on the related debt.

4. EXECUTIVE HOUSING CONTRIBUTION RECEIVABLE (continued)

The discount will be recognized as additional income in the year of receipt, which is anticipated to occur as follows:

	Contribution Amount	Discount	Net
2016	$ 250,000	$ (35,759)	$ 214,241
2017	250,000	(27,672)	222,328
2018	150,000	(19,279)	130,721
2019	150,000	(14,344)	135,656
2020	150,000	(9,223)	140,777
Thereafter	78,448	(3,908)	74,540
Total	$ 1,028,448	$ (110,185)	$ 918,263

The Company received $43,300 and $41,300 in rental income during the years ended June 30, 2015 and 2014, respectively, from employees who have resided in the two properties. The Company executed month-to-month leases for each of the properties. Monthly rent totals $3,525. The rents are used to defray maintenance costs.

5. PROPERTY AND EQUIPMENT

At June 30, property and equipment (at cost) consist of the following:

	2015	2014
Related to Theatre operations:		
Theatre land	$ 870,568	$ 870,568
Theatre building and improvements	2,417,245	2,405,308
Production equipment and theater furnishings	271,711	264,851
Office equipment	131,516	131,516
Vehicle	29,688	
Theatre property	3,720,728	3,672,243
Executive Housing (2 residences)		
Land	1,000,000	1,000,000
Building and improvements	564,582	564,582
Housing property	1,564,582	1,564,582
Total	5,285,310	5,236,825
Less accumulated depreciation	2,159,448	2,013,810
Net Property	$ 3,125,862	$ 3,223,015

6. ENDOWMENT FUND INVESTMENTS

The Company's Endowment Fund was started in October, 1993 with a $510,125 contribution from a Board member. Dividend and interest income from the fund is available to support operations and is reflected as unrestricted revenue in the Statement of Activities. In April 1998 donors to the endowment fund specifically permitted the fund to transfer realized and unrealized gains as well as investment income.

In January 2001 a scholarship fund was initiated. Donations to the fund are permanently restricted: investment income generated by the fund is used to provide tuition assistance to qualified students of the Company's conservatory. Contributions to the fund which aggregated $28,386 have been included with endowment investments.

Amounts transferred from the endowment fund are based on a predetermined formula. The fund sustained substantial losses during 2003 and, as a result, the accumulated amounts transferred from the endowment fund exceeded the aggregate income and capital gains earned by the fund. Consequently, effective June 30, 2003 the Company discontinued making distributions from the endowment fund. At June 30, 2015 the remaining deficiency is approximately $59,800. The investments represent the only permanently restricted assets of the Company.

To cover working capital needs, between 1999 and 2003 the Company borrowed $275,167 without interest and $100,000 at various interest rates from the endowment fund. The Company has repaid $120,000 of the amount advanced, extinguishing all interest-bearing obligations. Accrued interest and outstanding indebtedness of $24,249 and $255,167 exist at June 30, 2015 and 2014. The borrowings are evidenced by notes which are due on demand. Borrowing from the endowment fund was approved by the Board of Directors.

In January, 2009 the State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which establishes standards relating to the management of endowment and quasi endowment funds by nonprofit organizations. Reclassification of net assets was required to comply with the new law.

Interpretation of Relevant Law

The Board of the Company has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by UPMIFA.

6. ENDOWMENT FUND INVESTMENTS (continued)

In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Company and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Company
(7) The investment policies of the Company.

Return Objectives and Risk Parameters

The Company has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Company must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of Investment risk. The Company expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Company targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Company has a policy of appropriating for distribution each year a blended rate equal to 30% of 5 percent of its endowment fund's market value plus 70 percent of the previous year's spending. The appropriation requires approval of the board each year. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Company's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. So long as the fair value of the assets of the endowment fund is below the amount required to remain in the fund, no funds have been or will be appropriated or distributed from the fund.

6. ENDOWMENT FUND INVESTMENTS (continued)

Endowment Fund investments, other than noted above, are composed of the following, all of which are reported at quoted market prices at June 30:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 2,484	$ 2,484	$ 80,755	$ 80,755
Equity securities	261,224	263,409	158,953	183,615
Total	$ 263,708	$ 265,893	$ 239,708	$ 264,370

Investment return for the year ended June 30 as follows:

	2015	2014
Dividends and interest	$ 2,100	$ 3,945
Realized gains	24,280	
Unrealized gains/(losses)	(24,857)	27,121
Total	$ 1,523	$ 31,066

7. BOARD DESIGNATED RESERVES

The Company's Board established an Artistic and Operating Reserve Fund during the year ended June 30, 2011 with initial donor contributions of $500,000. The objective of the Artistic and Operating Reserve Fund is to provide financial stability and to allow the Company to take artistic risks. The Company hopes to grow the fund to 25% of annual operating expenses. Withdrawals must be approved by the Finance Committee of the Board of Directors. During the year ended June 30, 2015, approximately $440,000 of the Artistic and Operating Reserve Fund was approved and used to cover operating needs. The reserve was repaid $50,000 of the draws during the year ended June 30, 2015.

During the year ended June 30, 2011 the Poutiatine Fund for Leadership was established from donor contributions totaling $50,275. This fund is intended to provide the Board the ability to acquire, retain and reward employees in leadership positions.

Board designated reserves are composed of the following, all of which are reported at quoted market prices at June 30:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 57,152	$ 57,152	$ 453,049	$ 453,049
Equity fund	148,415	150,355	65,062	93,266
Fixed income fund			53,736	55,753
Total	$ 205,567	$ 207,507	$ 571,847	$ 602,068

7. BOARD DESIGNATED RESERVES (continued)

The combined reserves earned $1,999 and $3,506 in interest during the years ended June 30, 2015 and 2014 and $(6,058) and $24,105 in unrealized gains/(losses) during the years ended June 30, 2015 and 2014.

8. DEPOSITS

Deposits include $40,400 held by Actors' Equity Association on behalf of the Company. The deposit insures that the Company will meet current wage and benefit obligations to AEA members.

9. LINE OF CREDIT

The Company has a $150,000 line of credit with its commercial bank which matures on March 31, 2016. Funds borrowed bear interest at the prime plus 1.00% with a floor of 4.25% and are collateralized by all real and personal property of the Company. During the year ended June 30, 2015 the Company's usage of the line aggregated $300,000. All credit line advances were repaid and there was no outstanding balance at June 30, 2015. Interest incurred in connection with borrowings during the year ended June 30, 2015 and 2014 was $1,622 and $1,551, respectively.

10. MORTGAGE NOTES

During the year ended June 30, 2013 the Company acquired to two residential properties which are to provide housing for top-level executive and artistic staff. To finance the acquisitions, the Company executed two mortgages, totaling $1,296,500. The notes currently bear interest at 3.70% and 3.85%, respectively, and require cumulative monthly payments of $6,065, including principal and interest.

The interest rate on both loans will adjust to a monthly variable rate during the year ending June 30, 2020. During the variable interest period, there is a floor of 2.95% and ceiling of 10.95%. The notes are secured by the residential properties, the Company's theatre and the other assets of the Company.

Annual maturities related to the mortgages based on the above terms are as follows:

2016	$	38,901
2017		40,403
2018		41,963
2019		43,584
2020		45,267
Thereafter		707,578
Total	$	917,696

10. MORTGAGE NOTES (continued)

Should the Company prepay more than 20% of the original principal balance in any one year; a prepayment fee will be charged.

During the year ended June 30, 2015 and 2014, interest paid and expensed totaled $40,725 and $47,757, respectively.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at June 30 for the following purposes:

	2015	2014
Executive housing	$ 928,331	$ 1,134,683
Play development	226,650	78,600
Education outreach	154,070	113,977
General operations	111,008	
Commissions and miscellaenous programs	22,140	
Scene shop		58,700
Scholarship support		2,903
Total restricted net assets	$ 1,442,199	$ 1,388,863

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donors' restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the year ended June 30, as follows:

	2015	2014
Executive housing	$ 248,086	$ 200,000
Education outreach	76,827	41,807
Scene shop	59,700	52,760
Support general operations	55,000	49,025
New play development	41,449	66,213
Boyer and Lieberman programs	27,450	28,200
Support scholarship	2,903	7,387
Playwright residency		10,000
Releases from restrictions	$ 511,415	$ 455,392

13. DONATED MATERIALS AND SERVICE

During the years ended June 30 the Company was provided with:

	2015	2014
Vehicles	$ 29,688	
Marketing/advertising	33,600	$ 51,876
Special events development	8,400	1,908
Office furniture/equipment	300	200
Stage equipment/supplies		2,000
Transportation/housing		600
Total	$ 71,988	$ 56,584

14. RETIREMENT PLAN

The Company sponsors a qualified 403(b) plan for eligible employees. Employees may contribute any percentage of their annual compensation, but no more than the annual maximum limit as defined in the Internal Revenue Code. The Company has the option to make a discretionary matching contribution as determined by the Board. The Company chose not to make a matching contribution to the plan during the years ended June 30, 2015 and 2014.

15. LEASE COMMITMENTS

Effective January 1, 2011, the Company entered into a 5-year lease for industrial space to house their scene shop. Rent expenses aggregated $40,921 and $42,642 for the years ended June 30, 2015 and 2014, respectively. The lease expires in December 2015. The remaining obligation in connection with the lease is $22,284 as of June 30, 2015.

The Company leases certain office and software equipment under non-cancelable operating leases. Annual obligations in connection with these leases are as follows:

2016	$ 58,069
2017	58,069
2018	5,009
2019	3,985
Total	$ 125,132

16. RELATED PARTY

A board member has previously provided services for several of the Company's annual gala events and has not submitted invoices for these services. The Company estimates that the board member is due approximately $69,000 for services provided and have reflected a liability for the estimate.

17. OTHER RISKS

The following conditions constitute risks potentially affecting operations of the Company.

Collective Bargaining – The Company is a member of the League of Resident Theatres, LORT. As a member of the LORT the Company is required to comply with the agreements between LORT and Actors' Equity Association (AEA) and Stage Directors and Choreographers Society (SDCS). The agreements with AEA and SDCS require contributions to health and retirement plans for all employees covered by the contracts. The agreement with AEA requires increases in compensation based on the Company's tier, which is based on the weekly actual box office receipts average over the three most recently completed calendar years. The agreement with AEA expires in February 2017. The agreement with SDCS requires a minimum compensation based on the length of a performance. The agreement with SDCS extends through April 2017.

The Company is also complies with a contract between Theatre for Young Audiences (TYA) and AEA for its educational programs. The contract stipulates similar terms as that between LORT and AEA. The TYA and AEA agreement expired in June 2015. TYA and AEA are currently working on extending the contract with similar terms

The Company entered into an agreement with United Scenic Artists which expires in June 2017. The agreement requires a minimum percentage of design positions to be filled by members of United Scenic Artists and stipulates contributions for pension and welfare benefits.

Cash – Financial instruments that potentially subject the Company to credit risk include cash on deposit with financial institutions that at times exceed the insurance limit of the United States Federal Deposit Insurance Corporation.

Agreement - The Company executed a services agreement with the artistic and managing directors that extend through June 2018.